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RUEHBU/AMEMBASSY BUENOS AIRES 3236
RUEHAC/AMEMBASSY ASUNCION 3483
RUEHMN/AMEMBASSY MONTEVIDEO 2761
RUEHSG/AMEMBASSY SANTIAGO 2483
RUEHLP/AMEMBASSY LA PAZ 3895
RUCPDO/USDOC WASHDC 3154
RUEATRS/DEPT OF TREASURY WASHDC
RHMFIUU/DEPT OF ENERGY WASHDC
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SUBJECT: BRAZIL'S TRADE STRATEGY POST-DOHA: FIESP's POSITION

¶1. (SBU) In an August 21 meeting between Ambassador Sobel and Mario Marconini (strictly protect), Director for International Negotiations at FIESP (Sao Paulo Federation of Industries), Marconini provided his insights into Brazil's negotiating position during the last round of Doha trade negotiations, his views on the path ahead, and FIESP's future strategy for engaging the GOB on trade issues. The meeting with Marconini followed the Ambassador's discussions the day before with the Executive Secretary of the GOB's inter-ministerial foreign trade secretariat (CAMEX) on the possibility of pursuing 4 plus 1 conversations on trade with the U.S. (septel).

¶2. (SBU) Marconini told the Ambassador that FIESP will actively engage the government of Brazil (GOB) on trade policy in this new post-Doha era. Despite past tension between FIESP and the GOB, Marconini was optimistic that the GOB would be receptive to FIESP's engagement after FIESP allied with the GOB in Geneva while other Brazilian private sector participants (led by the automotive sector) teamed up with the Indians and South Africans. To begin, FIESP is preparing a "white book" that closely evaluates by sector all the potential trade deals on the table. The purpose is to provide the GOB with real data and to empirically position FIESP in favor of deals that are not trade diverting. Marconini predicted that the GOB would initially re-focus attention on negotiating a Mercosul/EU deal, which was almost completed in 2004 before falling apart over services, intellectual property, and the automotive industry.

¶3. (SBU) Noting that the U.S. remains Brazil's most important trade partner, the Ambassador sought Marconini's views on potential negotiations with the U.S., either bilaterally or via Mercosul. Marconini said that FIESP would take a pragmatic approach on this and other options going forward. FIESP would in principal be in favor of pursuing 4 plus 1 conversations (but noted that 5 plus 1 is the political reality with Venezuela nominally in the mix), while not insisting that negotiations take place via Mercosul. "We will not take such a clear public position on this. We'll be pragmatic and look at it on a case-by-case basis. If Mercosul doesn't want a FTA with the U.S., we'll have to see how to proceed without Mercosul. We have to be flexible as we proceed." Marconini admitted that the GOB is likely to look more favorably on negotiations with the U.S. now that Doha has stalled. (Note: While the GOB continues to actively lobby India to reconsider its Doha position, Marconini noted that no progress is being made on this front. End Note.) However, he also noted that negotiations would be tough: "the U.S. market is viewed as extremely competitive to Brazilians." Marconini suggested that FIESP could be helpful in

selling the benefits of an eventual trade deal with the U.S to the GOB. (NOTE: FIESP is Brazil's most powerful industry association. Their membership represents over 30 percent of the country's GDP. END NOTE)

¶4. (SBU) COMMENT: Marconini's cautious optimism that the GOB may be entering an era of enhanced pragmatism vis-`-vis international trade negotiations echoes the sentiment Post is hearing from other interlocutors. Contacts have consistently criticized the GOB's previous strategy of tying all hopes to Doha and to the interests of the other members of the G-20. After Brazil's position diverted radically and publically from Argentina, China, India and South Africa in the final moments of the recent Doha negotiations, Brazil appears increasingly likely to revamp its strategy. While it remains to be seen where the GOB will focus its attention, there does appear to be renewed interest in engaging with the U.S. FIESP's view is that this could be a good moment for the U.S. and Brazil to engage bilaterally and find renewed common ground. Marconini suggested that resolving emerging divisions on the biofuels front (to include the U.S. tariff on imported ethanol) could be a very important aspect of the process.

¶5. (SBU) This cable has been cleared by Ambassador Sobel.